

Subject 603

Tax Credits – General

The State of Arkansas allows you certain tax credit to be used to lower or offset your tax liability. If you qualify for these credits, they can be used to the extent of your tax liability. The credits allowed are the following:

- 1) Personal Tax Credits
- 2) Working Taxpayer Credit (Subject 608)
- 3) State Political Contributions Credit (Subject 609)
- 4) Other State Tax Credit (Subject 605)
- 5) Child Care Credit (Subject 604)
- 6) Credit for Adoption Expenses (Subject 607)
- 7) Phenylketonuria (PKU) Disorder Credit
- 8) Business and Incentive Tax Credits (Subject 606)

The Personal Tax Credits are separated into 3 different sections which are credits allowed for the primary filer and spouse, dependents, and retarded children.

The first section of Personal Tax Credits pertains to credits allowed for the primary filer and the spouse. These credits are figured on line 7A of Forms AR1000 and AR1000NR, or line 7A of Form AR1000S. If the credit applies to you, mark the box beside the credit for “Yourself” and an additional credit for the spouse if he or she is filing married on the same return as the primary filer. There are also additional credits listed on this line. The additional credits for the primary filer and spouse are:

65 and Over

You may claim this credit if you were age 65 or older on January 1.

65 Special

You may claim this credit if you are 65 or over and you do not claim the \$6,000 retirement exemption listed on line 10A or line 19B of Forms AR1000 and AR1000NR.

Blind

You may claim this credit if you were blind as of December 31. Blindness is defined as any person who cannot tell light from darkness or whose eye sight in the better eye does not exceed 20/200 with corrective lens, or whose filed of vision is limited to an angle of 210 degrees.

Deaf

You may claim this credit if you were deaf as of December 31. If the average loss in speech frequencies, 500 to 2000 Hertz, in the better ear is 86 decibels, I.S.O. or worse, you qualify for the deaf credit.

Head of Household or Qualifying Widow or Widower

If you are qualified to file status 3 – Head of Household or status 6 – Qualifying Widow or Widower, you automatically qualify to receive this additional credit.

Dependent Credits

The second section of personal credits pertains to dependents. List the first name of your dependents on line 7B of Forms AR1000 and AR1000NR or line 7B of Form Ar1000S. You will receive a \$20 credit for each dependent claimed.

Developmentally Disabled Individual Credit

The third section of personal credits pertains to developmentally dependents cared for in your home. List the first names of your developmentally disabled dependents on line 7C of Forms AR1000 and AR1000NR and submit the Form AR1000RC5. This Form list the conditions for a child to be eligible for this credit and it must be completed by a medical doctor, licensed psychologist or licensed psychological examiner who will certify that the child meets the requirements for this credit. This is a \$500 Credit per developmentally disabled child. It is taken in addition to the regular dependent credit of \$20. This Credit may not be claimed if filing on Form AR1000S.

Phenylketonuria (PKU) Tax Credit

You may claim a tax credit of up to \$2,400 per year for a taxpayer or a dependent child of a taxpayer diagnosed with PKU (Phenylketonuria), a disorder that requires special food. This credit is based on food purchases. Unused credit may be carried forward for 2 years. This credit may be taken in credit section of Forms AR1000/NR and attaching form AR1113. You must contact the Department of Finance and Administration to receive form.

Subject 407

Deduction for Interest Paid on Student Loans

ACT 1126 Section 30(D) Adopts IRC 221 concerning interest deduction for education loan. You may take an adjustment for interest paid on student loans if all of the following apply:

- (1) You paid interest during the year on a qualified student loan and at least part of the interest paid during the year was paid during the first 60 months that payments were required to be paid.
- (2) Your filing status is any except married filing separately on different returns (status 5).
- (3) Your adjusted gross income is less than \$55,000 if filing status 1,3 or 6, 75,000 if filing status 2 or 4.
- (4) You are not claimed as a dependent on some ones Income Tax Return.

A student loan interest worksheet is provided in your Individual Income Tax booklet. Credit for the adjustment may be taken in the adjustment section of the AR1000/NR.